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MARLEY BUILDING MATERIALS LIMITED

DIRECTORS' REPORT &
FINANCIAL STATEMENTS

31 DECEMBER 2003



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MARLEY BUILDING MATERIALS LIMITED

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COMPANY DETAILS

<i>Company registration number</i>	1698861
<i>Registered office</i>	Station Road Coleshill Birmingham B46 1HP
<i>Auditor</i>	KPMG Audit Plc Chartered Accountants and Registered Auditor Birmingham

MARLEY BUILDING MATERIALS LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements of the company for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

The profit for the year on ordinary activities after taxation amounted to £10.6 million (2002: £4.6 million). The directors do not propose to pay a final dividend (2002: £nil).

REVIEW OF ACTIVITIES

The principal activity of the company is the manufacture and sale of aerated concrete products, and, since 1 January 2003 the manufacture and sale of roofing products (see below).

On 28 March 2003 the company acquired, as a going concern, the roofing products business from a fellow group company with effect from 1 January 2003. The consideration was £77.8 million paid in cash.

The results for the year reflect a good performance in a static market.

POST BALANCE SHEET EVENT

With effect from 1 January 2004 the company disposed of, as a going concern, the fibre-cement and slate roofing products business to a fellow group company.

DIRECTORS

The directors in office at 31 December 2003, were:

Mr I P Aspley
Mr C Brown (appointed 1 December 2003)
Mr D J Evans
Mr J A Peeters (appointed 9 May 2003)
Mr M L Roberts
Mr K C Sharp
Mr J Toal
Mr M J Turner

According to the register of directors interests, none of the directors who held office at the end of the year held shares, or the right to subscribe for shares, in the company or any other Etex group company incorporated in Great Britain. On 28 March 2003 Mr J H Sinfield resigned. On 9 May 2003 Mr J P P Beeckman resigned. On 10 December 2003 Mr G Lampard resigned. On 1 April 2004 Mr M Nolet was appointed.

MARLEY BUILDING MATERIALS LIMITED

DIRECTORS' REPORT

EMPLOYEES

The company is committed to maintaining employment policies that both encourage and reward the skills and commitment of its employees. Its policy of non-discrimination is designed to give full and fair consideration to all on an equal basis. This undertaking extends to the employment of disabled persons and to the support of those who become disabled during their service with the company.

Measures have been developed over many years to encourage employee involvement. These extend from quality involvement programmes to health and safety disciplines and matters of environmental concern.

RESEARCH AND DEVELOPMENT

There is a co-ordinated programme of research and development activity in the company that is directed towards the development of new products and new technologies appropriate to the business operation. Research and development projects range from in-house activity to collaborative programmes with contract research organisations and universities.

CREDITOR PAYMENT POLICY

In the absence of specially negotiated terms, the company operates under standard conditions of purchase that establish the due date for payment of invoices. It is the company's policy that all suppliers who have not agreed special payment terms will be made aware of the applicable standard conditions and provided that such suppliers have complied with their own obligations under the contract, the company will honour its payment commitments to them.

The aggregate of the amounts that were owed to trade creditors at the end of the period represented approximately 41 days (2002: 40 days) of the aggregate amount invoiced by suppliers during the period.

AUDITOR

A resolution to reappoint KPMG Audit Plc as auditor of the company will be proposed at the next Annual General Meeting.

On behalf of the Board



D J Evans
Secretary
3 September 2004

MARLEY BUILDING MATERIALS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

		2003	2002
		£m	£m
	Notes		
TURNOVER			
Existing operations		60.0	57.6
Acquired operations		101.5	-
	1	161.5	57.6
OPERATING PROFIT			
Existing operations		8.8	7.2
Acquired operations		8.7	-
	1,2	17.5	7.2
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		17.5	7.2
Interest receivable and similar income	4	0.1	-
Interest payable and similar charges	5	(1.3)	(0.5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16.3	6.7
Taxation on profit on ordinary activities	6	(5.7)	(2.1)
PROFIT FOR THE FINANCIAL YEAR		10.6	4.6
Dividend proposed		-	-
TRANSFERRED TO RESERVES	15	10.6	4.6

The notes on pages 9 to 16 form part of these accounts

MARLEY BUILDING MATERIALS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£m	£m
PROFIT FOR THE FINANCIAL YEAR	10.6	4.6
Dividend	-	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	10.6	4.6
Prior year adjustment	-	(1.9)
TOTAL GAINS AND LOSSES RECOGNISED SINCE THE LAST FINANCIAL STATEMENTS	10.6	2.7

The notes on pages 9 to 16 form part of these accounts

MARLEY BUILDING MATERIALS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2003

		2003 £m	2002 £m
	Notes		
FIXED ASSETS			
Intangible assets	7	44.5	-
Tangible assets	8	55.6	8.8
 CURRENT ASSETS			
Stocks	9	15.0	3.2
Debtors	10	27.8	6.9
Cash at bank and in hand		14.8	7.9
		57.6	18.0
 CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(27.8)	(9.7)
 NET CURRENT ASSETS			
Due within one year		29.8	8.3
 Total assets less current liabilities		129.9	17.1
 Creditors: amounts falling due after more than one year	12	(106.3)	(7.0)
 Provisions for liabilities and charges	13	(4.5)	(1.6)
 Net assets		19.1	8.5
 CAPITAL AND RESERVES			
Called up share capital	14	5.7	5.7
Reserves			
Profit and loss account	15	13.4	2.8
Equity Shareholders' funds		19.1	8.5

Approved by the Board on 3 September 2004



M L Roberts
DIRECTOR

The notes on pages 9 to 16 form part of these accounts

MARLEY BUILDING MATERIALS LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£m	£m
Profit for the financial year	10.6	4.6
Movement in year	10.6	4.6
At 1 January	8.5	3.9
At 31 December	19.1	8.5

The notes on pages 9 to 16 form part of these accounts

MARLEY BUILDING MATERIALS LIMITED

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

TURNOVER

Turnover comprises the invoiced value of sales excluding value-added tax.

STOCKS

Stocks and work in progress are stated at the lower of cost and net realisable value. In the case of manufactured goods, cost includes the relevant proportion of manufacturing overheads.

RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off as it is incurred.

PENSION COSTS

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are converted into sterling using year end rates of exchange. Transactions denominated in foreign currencies are converted into sterling at the exchange rate in operation on the date on which the transaction occurred or, where the transaction is covered by a matching forward contract, at the rate of exchange specified in the contract. All exchange differences are dealt with in the profit and loss account.

TANGIBLE FIXED ASSETS

Depreciation is provided on cost or revalued amount, less any estimated residual value, by equal annual instalments over the estimated useful lives of the assets.

The rates applied are: freehold land nil; freehold and long leasehold (over 100 years unexpired) buildings between 1 and 4 per cent per annum; other leasehold property over the period of the lease; plant, vehicles and equipment between 5 and 33.3 per cent per annum.

LEASED ASSETS

Fixed assets acquired under finance leases are capitalised and the related leasing obligations included in creditors. Finance charges payable under finance leases are allocated to accounting periods over the term of the lease so as to produce a constant rate of charge on the outstanding lease obligation. Payments under operating leases are charged to the profit and loss account as they fall due.

TAXATION

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation.

Deferred tax is recognised on a full provision basis, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the balance sheet date.

GOODWILL

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

1 SEGMENTAL INFORMATION

	Turnover		Operating profit		Net operating assets	
	2003	2002	2003	2002	2003	2002
	£m	£m	£m	£m	£m	£m
Existing operations	60.0	57.6	8.8	7.2	23.0	10.0
Acquired operations	101.5	-	8.7	-	94.7	-
Continuing operations	161.5	57.6	17.5	7.2	117.7	10.0

All turnover and operating profit arose from the company's principal activity in the UK. Net operating assets, all of which are located in the UK, are stated after excluding unallocated items namely net borrowings, intergroup loans and taxation.

2 OPERATING PROFIT

	Existing operations 2003 £m	Acquired operations 2003 £m	Continuing operations 2003 £m	Continuing operations 2002 £m
Operating profit is stated after crediting:				
Increase in stocks of finished goods and work in progress	1.0	-	1.0	-
Own work capitalised	-	0.1	0.1	-
Other operating income	0.1	0.1	0.2	-
	1.1	0.2	1.3	-
Operating profit is stated after charging:				
Change in stocks of finished goods and work in progress	-	0.2	0.2	0.2
Raw materials and consumables	16.6	40.0	56.6	15.3
Staff costs (note 3)	11.3	25.1	36.4	12.3
Depreciation and other amounts written off:				
Goodwill	-	2.3	2.3	-
Owned tangible fixed assets	1.4	3.2	4.6	1.3
Leased tangible fixed assets	0.1	-	0.1	0.7
Operating lease rentals and other hire charges:				
Land and buildings	1.5	1.4	2.9	1.6
Plant, vehicles and equipment	0.3	2.0	2.3	0.2
Research and development	0.2	1.2	1.4	0.2
Auditor's remuneration:				
Audit fees	0.1	-	0.1	0.1
Non audit related fees	-	-	-	-
Other operating charges	20.8	17.6	38.4	18.5
	52.3	93.0	145.3	50.4

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

3 EMPLOYEES

	Existing 2003 Number	Acquired 2003 Number	Total 2003 Number	2002 Number
Average number of persons employed	410	869	1,279	408

	Existing 2003 £m	Acquired 2003 £m	Total 2003 £m	2002 £m
Staff costs				
Wages and salaries	9.3	20.6	29.9	10.1
Social security costs	0.8	1.5	2.3	0.7
Other pension costs	1.2	3.0	4.2	1.5
	11.3	25.1	36.4	12.3

Directors' emoluments amounted to £915,000 (2002: £446,000). The emoluments of the highest paid director amounted to £211,000 (2002: £112,000.).

Seven of the serving directors during the year were members of a defined benefit pension scheme. The highest paid director had an accrued pension of £127,000 (2002: £100,000) at the end of the year.

In the UK the company is a participating employer in the Marley 1986 Pension Scheme, a defined benefit contributory pension scheme, the constitution and governance of which are in conformity with the requirements of the Pensions Act 1985. The Scheme provides benefits based on final pensionable pay, with all assets being held in an independent and separately administered trustee fund. The funding of the Scheme is assessed in accordance with the advice of an independent and professionally qualified actuary.

The multi-employer exemption provisions of FRS17 'Retirement Benefits' have continued to be applied during 2003. The shares of underlying assets and liabilities in the Scheme attributable to the principal employer and the other participating employers are not identifiable on a consistent and reliable basis. The contributions payable by the company to the Scheme in the year to 31 December 2003 were £4.2 million (2002: £1.5 million) and have been fully charged within operating profit in the profit and loss account (note 2).

The last triennial valuation of the Scheme by the actuary took place as at 31 March 2001. The aggregate market value of the assets of the Scheme at that date was £376.3 million, representing 104% of the value of the benefits that had accrued to members at the valuation date after allowing for expected future increases in earnings.

The principal long term actuarial assumptions adopted in the valuation were:

Price inflation	2.50% per annum
Real rate of earnings escalation	1.75% per annum
Real rate of pension increases	0.00% per annum
Real rate of investment return:	
Past service	3.11% per annum
Future service	4.00% per annum

Employers' contributions are payable at the rate of 20% of contribution salaries, as set out in the Schedule of Contributions agreed between the principal employer and the Trustees of the Scheme, until 31 January 2005. The level of employer contributions required was reviewed by the Actuary following an interim valuation of the scheme carried out as at 31 March 2003 and will remain at 20% of contribution salaries until the results of the next triennial valuation as at 31 March 2004 are known.

This valuation will reflect the position of the Scheme following the demerger in 2003 of the Etex Group's plastics businesses, and the subsequent transfer on 1 April 2004 of all the assets and liabilities for past service attaching to employees of the relevant businesses who elected to transfer those benefits to the newly created Aliaxis Group's defined benefit pension scheme.

The Scheme was closed to new members on 31 December 2002. Employees commencing their employment since that date have been eligible to join a defined contribution arrangement, the em Pension Scheme.

The contributions payable by the company to the em Scheme are linked to employee contributions which are matched at the rate of 2:1 up to a maximum of 10%. The Scheme also provides life assurance benefits funded by the company. The contributions payable by the company to the em Scheme in the year to 31 December 2003 were £30,486.

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£m	£m
Bank interest	0.1	-

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£m	£m
Interest payable		
On loans to fellow group undertaking	1.3	0.5

6 TAXATION

	2003	2002
	£m	£m
Analysis of charge in year:		
<i>United Kingdom corporation tax</i>		
Current tax on income for the year	5.8	2.4
Adjustments in respect of prior years	(0.1)	0.1
Total current tax	5.7	2.5
<i>Deferred tax (note 13)</i>		
Origination/reversal of timing differences	-	(0.4)
Tax on profit on ordinary activities	5.7	2.1

Factors affecting the tax charge for the current year:

The current tax charge for the year is higher than (2002: higher than) the standard rate of corporation tax in the United Kingdom (30%, 2002: 30%). The differences are explained below.

	2003	2002
	£m	£m
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	16.3	6.7
Current tax at 30% (2002: 30%)	4.9	2.0
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	0.9	0.1
Difference between capital allowances and depreciation for the year	-	0.3
Adjustments to tax charge in respect of prior years	(0.1)	0.1
Total current tax charge (as above)	5.7	2.5

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

7 INTANGIBLE ASSETS

	Goodwill £m
Cost	
At 1 January 2003	-
Purchase of business (note 16)	46.8
At 31 December 2003	46.8
Accumulated amortisation	
At 1 January 2003	-
Charge for the year	2.3
At 31 December 2003	2.3
Net book values	
At 1 January 2003	-
At 31 December 2003	44.5

8 TANGIBLE ASSETS

	Freehold & Leasehold property £m	Plant, vehicles & equipment £m	Total £m
Cost			
At 1 January 2003	0.1	19.5	19.6
Additions	-	3.1	3.1
Intercompany transfers	43.9	-	43.9
Purchase of business (note 16)	0.9	19.6	20.5
Disposals	-	(0.6)	(0.6)
At 31 December 2003	44.9	41.6	86.5
Accumulated depreciation			
At 1 January 2003	-	10.8	10.8
Charge for the year	0.1	4.6	4.7
Intercompany transfers	15.6	-	15.6
Disposals	-	(0.2)	(0.2)
At 31 December 2003	15.7	15.2	30.9
Net book values			
At 1 January 2003	0.1	8.7	8.8
At 31 December 2003	29.2	26.4	55.6

	2003 £m	2002 £m
The net book values shown above include the following:		
Short term leasehold	0.9	0.1
Plant, vehicles and equipment held under finance leases	0.1	0.2
Capitalised interest	0.1	0.1

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

9 STOCKS

	2003 £m	2002 £m
Raw materials and consumables	2.9	0.9
Work in progress	0.2	-
Finished goods	11.9	2.3
	15.0	3.2

10 DEBTORS

	2003 £m	2002 £m
Amounts falling due within one year		
Trade debtors	22.4	6.3
Amounts owed by group undertakings	0.7	0.4
Prepayments and accrued income	4.7	0.2
	27.8	6.9

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £m	2002 £m
Trade creditors	9.9	3.0
Amounts owed to group undertakings	1.1	-
Taxation payable	2.7	0.8
Social security creditors	0.8	0.2
Other creditors	1.7	2.0
Accruals and deferred income	11.6	3.7
	27.8	9.7

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £m	2002 £m
Amounts owed to group undertakings	106.3	7.0
	106.3	7.0

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

13 PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £m	2002 £m
Deferred tax	3.9	1.6
Other provisions	0.6	-
	4.5	1.6

An analysis of the deferred tax liability is as follows:

Difference between accumulated depreciation and amortisation and capital allowances	3.9	1.6
	3.9	1.6

	Deferred Tax £m	Other Provision £m	Total £m
Movement in the provision was as follows:			
At 1 January 2003	1.6	-	1.6
Purchase of business (note 16)	2.3	-	2.3
Profit & loss account	-	0.6	0.6
At 31 December 2003	3.9	0.6	4.5

The Other Provision is a warranty provision in respect of a discontinued product where the company has given a guarantee to cover the reliability and performance of that product. The majority of the possible claims are expected to be settled by 2010.

14 SHARE CAPITAL

	2003 £m	2002 £m
Authorised		
81,106,002 ordinary shares of 7p each	5.7	5.7
Issued and fully paid		
80,760,171 ordinary shares of 7p each	5.7	5.7

15 RESERVES

	Profit and loss account £m
At 1 January 2003	2.8
Retained profit for the year	10.6
At 31 December 2003	13.4

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

16 PURCHASE OF BUSINESS

	2003 £m
Book and fair value of net assets acquired:	
Tangible fixed assets	20.5
Stocks	10.9
Debtors	23.2
Creditors	(21.3)
Provisions for liabilities and charges	(2.3)
	31.0
Consideration	77.8
Goodwill arising on acquisition	46.8

As referred to in the review of activities in the Directors' Report, the company acquired the roofing products business and related assets from a fellow group company with effect from 1 January 2003. The consideration was £77.8 million paid in cash and has been accounted for using the acquisition method of accounting.

The summarised profit and loss account and statement of total recognised gains and losses of the roofing products business for the year ended 31 December 2003, with comparative figure for the year ended 31 December 2002, are disclosed below:

	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
<u>Profit and loss account:</u>		
TURNOVER	101.5	99.7
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	8.7	9.0
Interest receivable and similar income	0.1	-
Interest payable and similar charges	(0.8)	(0.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8.0	8.2
Taxation on profit on ordinary activities	(2.9)	(3.7)
PROFIT FOR THE FINANCIAL YEAR	5.1	4.5
<u>Statement of total recognised gains and losses:</u>		
PROFIT FOR THE FINANCIAL YEAR	5.1	4.5
Prior year adjustment	-	(2.1)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	5.1	2.4

17 OPERATING LEASE COMMITMENTS

	Land and buildings		Plant, vehicles and equipment	
	2003 £m	2002 £m	2003 £m	2002 £m
Rentals payable during the coming year				
Leases expiring within one year	-	-	0.3	0.2
Leases expiring between one and five years	0.2	-	0.3	0.5
Leases expiring after more than five years	0.3	1.6	-	-
	0.5	1.6	0.6	0.7

MARLEY BUILDING MATERIALS LIMITED

NOTES TO THE ACCOUNTS

18 COMMITMENTS AND CONTINGENCIES

The company has guaranteed the following borrowings of fellow group undertakings:

Current account cross guarantees	£20.6 million
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As of 16 April 2003 the company entered into a joint and several guarantee, as principal obligor, of the Euro 450 million multi-currency facility agreement, of the same date, between Etexco SA, Etex Group SA and Fortis Bank SA acting as agent. Under the guarantee agreement the company agreed to pay to the banking group, on demand, any sum of money that Etexco SA does not pay when due and to indemnify the banking group from losses due to unenforceability, invalidity or illegality, that it otherwise fails to recover from Etexco SA.

As at 31 December 2003, Euro 385.7 million was drawn by Etexco SA under the facility.

19 COMPOSITE GUARANTEE

As of 13 November 2003 the company entered into a joint and several guarantee agreement (between Etexco SA, Etex Group SA, an Etexco (bilateral) Lender and a certain Local Lender) of the loan and credit facilities between Etexco SA and a bilateral lender (amounting to Euro 16 million) and of Etexco's liability in respect of the guarantee by Etexco SA of the local loan and credit facilities of certain guarantor companies amounting to £9.3 million.

The terms of the liability of the company under the Composite Guarantee are the same as the aforementioned Euro 450 million guarantee. As at 31 December 2003, Euro 5.6 million was used by Etexco SA under these facilities and £1.1 million was used under facilities with the Local Lender.

20 RELATED PARTY TRANSACTIONS

The company, being a wholly owned subsidiary of Etex Group SA, a company whose financial statements are publicly available, is exempt from the requirement to disclose transactions with entities that are part of the Etex Group SA or investees qualifying as related parties.

21 CASH FLOW STATEMENT

The company is a wholly-owned subsidiary undertaking included within the financial statements of its parent undertaking Etex Group SA group and therefore does not fall within the scope of Financial Reporting Standard 1 (Revised 1996), which requires reporting entities to provide a cash flow statement as a primary statement within their financial statements. For this reason no cash flow statement is included within these financial statements.

22 ULTIMATE PARENT COMPANY AND GROUP ACCOUNTS

The company's ultimate parent undertaking is Etex Group SA, a company incorporated in Belgium. The company's immediate parent undertaking is Marley (UK) Limited, a company incorporated in Great Britain.

The largest group in which the results of the company are consolidated is headed by Etex Group SA. The smallest group in which the results of the company are consolidated is headed by Etex Group SA, a company incorporated in Belgium. The accounts of Etex Group SA are available to the public and may be obtained from Avenue de Tervueren 361, B-1150 Brussels.

23 POST BALANCE SHEET EVENT

With effect from 1 January 2004 the company disposed of, as a going concern, the fibre-cement and slate roofing products business to a fellow group company.

MARLEY BUILDING MATERIALS LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Marley Building Materials Limited

We have audited the financial statements on pages 4 to 16.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 17, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

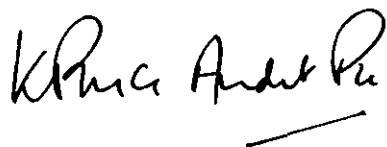
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
3 September 2004
Chartered Accountants
Registered Auditor

2 Cornwall Street
Birmingham
B3 2DL